

Look Inside Look Inside Look Inside Look **Look Inside**



staying focused through challenging times

dear fellow shareholders

Against the backdrop of protracted volatility in global equity markets, AGF made significant progress in 2002 towards reinforcing our solid foundations. Building on our first key acquisition of 20/20 Financial Corporation back in fiscal 1996, AGF continued to implement a long-term strategy to strengthen our core wealth management business and broaden the scope of our activities by industry and geography.

After six consecutive years of record growth, including three years of the most difficult markets in nearly 30 years, AGF experienced weaker performance in fiscal 2002 as a result of these inhospitable conditions. Despite market instability and the resulting consumer unease, by the end of the year we emerged a stronger and better diversified company with an unwavering commitment to growth and prudent building.

We have demonstrated this commitment by entering new markets, expanding our global presence, leading the trend toward consolidation and outsourcing of third-party administrative services in the mutual fund industry, and reinvesting our strong cash flow in a disciplined manner in order to fuel AGF's future growth. Along with additional investments, acquisitions and innovative products, we remain steadfast in our focus on excellence in customer service, fund management and brand recognition.



Blake C. Goldring, CFA
President and Chief Executive Officer

Despite market instability and the resulting consumer unease, by the end of the year **we emerged a stronger and better diversified company** with an unwavering commitment to growth and prudent building.

We continue to build on the wealth continuum by improving and expanding services and products available to customers to meet their needs at each stage of life and wealth accumulation.

We are taking initiatives to engage our customers in a meaningful dialogue about what matters to them. As we hone our knowledge of customers, we will build and reinforce relationships as well as generate value and efficiencies to benefit our clients.

It's about building on our strengths.

It's about staying focused through challenging times.

It's about long-term vision.

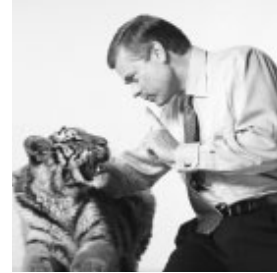
Now more than ever, vision is crucial and must guide how we deal with reality, not succumb to it. Vision is a term associated with building, yet all around us we see more retrenching than investing in the future.

We take the long view, which dictates clear thinking, strong leadership and a sound strategy. We firmly believe our investment in the future will yield long-term benefits.

SOLID YEAR DESPITE MARKET VOLATILITY

Despite on-going market turmoil, AGF turned in a solid year. This performance was a result of rigorous cost control and our business diversification strategy. We also generated impressive cash flow for the year ended November 30, 2002.

We continue to see cash flow from operations as a key measure of corporate performance. While cash flow in fiscal 2002 declined to \$266.4 million, or \$2.90 per



share diluted, compared with \$284.4 million or \$3.10 per share diluted last year, this decline was entirely accounted for by a \$19.7-million increase in current taxes in 2002 related to the lower level of selling commissions paid.

Consolidated revenue was \$654.1 million, up from \$640.0 million last year, an increase of 2.2 per cent.

Consolidated net income was \$119.8 million or \$1.30 per share diluted for the year, compared with \$163.8 million or \$1.79 per share diluted in 2001.

Consolidated net income in fiscal 2001 and 2002 was significantly affected by the adoption of two accounting policies. Excluding the impact of these adoptions, AGF's adjusted consolidated net income in 2002 was \$80.1 million compared with \$84.6 million in 2001, a decrease of 5.3 per cent.

Strong financial controls and enhanced accountability reduced operational costs attributable to mutual fund operations as a percentage of average assets under management by 0.2 basis points, despite a decline of 4.6 per cent in average assets under management.

AGF reinvested approximately \$189 million into building subsidiaries, making strategic investments and reinvigorating critical areas of the company.

GROWTH THROUGH DIVERSIFICATION AT HOME AND ABROAD

This year, we completed two key transactions through Unisen Inc., our administrative and technology services subsidiary to the investment fund industry. In January, 2002, we acquired the Toronto-Dominion Bank's record-keeping and fund valuation business and



in September, we purchased Jewelstone Systems Inc., the gold standard and leading supplier of software to the industry.

These are strategic moves that will drive the inevitable trend towards outsourcing administrative functions in this industry. We believe these acquisitions give Unisen the strength and scale to become the preeminent administrative services supplier to the investment fund industry.

We also made good on our commitment to revitalize and grow AGF Trust Company. This dynamic subsidiary has generated tremendous asset growth starting with an innovative RSP loan program launched in 2002, which attracted \$148.9 million in its first year. An investment loan program, a revamped Web-based RSP loan program and new products will generate further momentum in this subsidiary.

In the global arena, AGF delivered on a strategy to grow our presence in the U.K. The success of our initial investment in NCL (Securities) Limited in 1998 led us to take a 30-per-cent stake in the enlarged company created this year by the merger of NCL and Smith & Williamson, now one of the largest independent, integrated private client financial services firms in the U.K.

This is an exciting development that allows us not only to participate in a growing business, but also to generate new revenue through our expertise ranging from back-office services to investment management.

The wealth continuum combines product development along with an important **focus on our clients, both investment advisors and consumers. Quite simply, **we want to serve our customers for life.****

We also continue to develop a higher profile in the Asian market. Our relationship with Maruhachi Securities Co., a brokerage firm based in Nagoya, Japan, and an associated company of Nomura Securities, Ltd., has helped leverage our presence and potential in the Japanese market.

Along with our activities in Singapore and China, we see tremendous prospects in the Asian market over the coming years.

NEW PRODUCTS FOR CHANGING TIMES

In time for the 2003 RSP season, we launched a series of innovative new products that respond to the needs of a changing market. FULPaY AGF Funds-Linked Notes, AGF Trust Mutual Fund Linked GIC and AGF Trust Managed Futures Notes Series 1 represent a new product direction that offers investors capital protection as well as access to market gains.

Our portfolio management teams were honoured once again at the Canadian Mutual Fund Awards with Best European Equity Fund for AGF European Equity Class, advised by John Arnold and Rory Flynn of AGF International Advisors Co. Ltd. AGF Global Government Bond Fund, managed by Clive Coombs and Scott Colbourne of AGF Funds Inc. were recognized for Best Foreign Bond Fund.





CUSTOMER FOCUS, WEALTH CONTINUUM AND BRAND CONVERGE

In the last few years, we have articulated a strategic direction that guides AGF's approach to nurturing valuable and trusting relationships. The wealth continuum combines product development along with an important focus on our clients, both investment advisors and consumers. Quite simply, we want to serve our customers for life.

Building and extending the wealth continuum demonstrates our commitment to customers at any age or stage of life. Building and extending our brand allows us to communicate with customers in a unique voice in a relevant way.

Along the wealth continuum, AGF Private Investment Management and Harmony, AGF's tailored investment program, have met with success with strong fund management and a growing clientele. New refinements introduced for Harmony this year further facilitate the selling and administration of this program for advisors.

As we seek to serve investors across the spectrum of age and wealth accumulation, we will focus increasingly on these products and services to give us a competitive edge.

With one of the strongest brands in the Canadian investment management industry, AGF continues to find sustainable competitive advantage in our unique positioning expressed through "What are you doing after work?®"

With this year's launch of AfterWorks, a business-building program for investment advisors, we have added a new dimension to the AGF brand experience. Through AfterWorks, we have introduced a comprehensive program that helps investment advisors and their clients develop a life plan that complements their financial plan. This is a

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first for a financial services company in Canada. It reinforces our brand across all customer groups and entrenches our positioning as the investment management company with a human face.

Given its initial success, we expect this program to expand and flourish in 2003.

WELL-POSITIONED FOR MARKET REBOUND

In the coming year, we expect that the performance of global equity markets will continue to be a key factor influencing our financial performance. However, with new sources of revenue now established, we have put some insulation in place against these elements and laid the groundwork to benefit from a market rebound.

We believe industry consolidation will continue apace and that AGF is well-positioned to meet these challenges. We will maintain our commitment to build our brand, to intensify control over costs, and ensure the best in customer service and insight. Our global platforms in Ireland, U.K., Singapore and Japan should also prove to have above-average growth potential.

Consistent with falling equity markets, AGF Class B shares returned weaker performance this year. At the same time, dividend payments in 2002 increased 15.9 per cent to allow shareholders to benefit from the strong free cash flow, bringing the rate of dividend increases to 16.9 per cent per year over the last six years.

AGF Class B shares over the long term have generated exceptional shareholder value. Over five years, AGF Class B shares have returned a strong 10.3 per cent compounded

Many people contribute to our **on-going growth and success**. I want to recognize our employees whose commitment and energy give AGF a **special kind of vitality**.

annual growth rate. Over 20 years the results are even more impressive. According to a recent listing in *National Post Business* magazine, AGF Class B shares rank an impressive number one for the best performance on the S&P/TSX Composite Index over the last 20 years. In other words, \$10,000 invested on December 31, 1982, was worth \$560,714 on December 31, 2002 – a total share price growth of 5,500 per cent. This is a testament to AGF's consistency and innovation.

Many people contribute to our on-going growth and success. I want to recognize our employees whose commitment and energy give AGF a special kind of vitality that pushes us to achieve excellence. The directors of the company and the directors of the funds have once again demonstrated their wisdom and professional guidance. Most importantly, I want to thank all the investment advisors who work with us for their trust and commitment. These relationships are truly at the heart of our success.

Thank you,



Blake C. Goldring, CFA
President and Chief Executive Officer



A Look at AGF

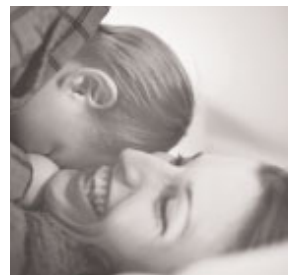
Founded in 1957, AGF is one of Canada's largest and most innovative investment management companies. To meet the needs of more than 35,000 investment advisors and one million investors, AGF offers a full range of products and services along the wealth continuum, including more than 60 mutual funds, Harmony wrap program and AGF Private Investment Management.

Today our total assets exceed \$27 billion.

To fulfill our vision to be a global company with a Canadian home, AGF continues to expand its global presence by building new markets in the U.K., Japan, China and Singapore.

AGF Management Ltd. is an independent Canadian-owned company listed on the Toronto Stock Exchange (AGF.B)

For a closer look, visit us at agf.com



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What are you doing after work?

AGF
MUTUAL
FUNDS

AGF TAILORED
INVESTMENT
PROGRAMS
Harmony

AGF PRIVATE
INVESTMENT
MANAGEMENT

AGF
TRUST

AGF Management Limited

P.O. Box 50
Toronto-Dominion Centre
Toronto, ON M5K 1E9

Web site: agf.com
E-mail: tiger@agf.com
416 367-1900